



Housing Methodology Committee Meeting – October 19, 2006

10:00 a.m. – 1:00 p.m.

San Francisco Bay Conservation & Development District
50 California Street, 26th Floor
San Francisco, CA

Meeting Summary

1. Call to Order/Introductions

The meeting began with introductions of member representatives, interested parties, and ABAG staff. Paul Fassinger, Research Director at the Association of Bay Area Governments (ABAG) provided an overview of the Meeting Agenda.

2. Discussion of Allocation Methodologies – All Units

Mr. Fassinger led the HMC in a discussion of the different allocation methodology scenarios developed by ABAG staff in response to HMC feedback at the October 12th meeting. The three factors included in the scenarios are related to housing, employment, and transit.

Jobs-Housing Balance Factors

In response to requests from the HMC, staff explored several options for directly addressing the issue of jobs-housing balance in the allocation methodology. Suggestions included looking at employed residents compared to jobs in a jurisdiction or making an adjustment for a jurisdiction's jobs-housing ratio compared to the regional ratio.

Staff explored using these types of factors, but found that they resulted in negative allocations. These adjustment factors also make the formula more complicated and harder to explain. In addition, the results of the scenarios without these adjustment factors appear to provide a better jobs-housing balance within the region.

Allocation Scenarios

The allocation scenarios are separated into two major categories. The first three scenarios include only factors related to housing and employment. They have a "Moderate Transit Emphasis" because they are based on *Projections*, which directs growth to existing communities and areas near public transit.

The rest of the scenarios (Scenarios 4 through 10) are also based on *Projections*, but they include "transit" as an additional allocation factor, and therefore represent a "Greater Transit Emphasis." Choosing to include a factor that explicitly directs growth to areas with public transit further encourages housing growth in areas with a variety of transportation options. In effect, it would give extra weight to this regional goal, over what has already been done in the *Projections* forecast. Only existing, fixed transit infrastructure, such as heavy and light rail systems and ferries are included.

Moderate Transit Emphasis

One of the major distinctions among the scenarios is the degree to which they emphasize growth near transit. Those in the "Moderate Transit Emphasis" category use the housing and employment estimates from *Projections*, and do not include a separate factor for transit. These scenarios have a moderate transit

emphasis because the *Projections* forecast incorporates the regional policies that direct more growth to existing communities and areas near transit.

Within this category, Scenario 1 equally weights total households in 2014 and total jobs in 2014. These factors incorporate conditions in 2007 as well as the expected growth in households and jobs between 2007 and 2014. Since these factors take into account existing growth patterns, this scenario is likely to direct housing growth to areas that already have a significant amount of housing and jobs. This scenario does the least to improve existing jobs/housing imbalances in the region, since it maintains existing proportions of jobs and housing in each jurisdiction.

Scenario 2 equally weights projected growth in households between 2007 and 2014 and projected growth in jobs between 2007 and 2014. It does not take the existing jobs-housing balance into account. As a result, this scenario emphasizes local plans for accommodating growth as well as the regional policies for growth, as incorporated into *Projections*. This scenario addresses jobs-housing balance based solely on future employment growth. It does not seek to adjust the existing balance between housing and jobs.

Scenario 3 equally weights housing growth during the RHNA period and total jobs in 2014. This jobs factor considers existing employment in 2007 plus the amount of job growth during the RHNA period. As a result, this scenario encourages housing growth in areas that are expected to be employment centers at the end of the RHNA period. The use of the housing growth factor directs growth to areas that are planning for housing growth, and away from areas that already have a significant amount of housing.

Greater Transit Emphasis

The scenarios that are part of the “Greater Transit Emphasis” category can be separated into three groups. Scenarios 4 – 7 have a housing emphasis while Scenarios 7 – 8 have an employment focus. Scenario 10 represents a combination that looks at both housing and jobs growth around transit.

Housing Emphasis

In both Scenario 4 and Scenario 5, housing is weighted at 80 percent. Scenario 4 is similar to Scenario 1, since it includes factors for housing and employment in 2014. These factors incorporate existing conditions in 2007 as well as expected growth through 2014. However, in contrast to Scenario 1, this scenario includes a transit factor that directs additional housing growth to transit station areas that are expected to have significant amounts of housing in 2014.

Scenario 5 is similar to Scenario 2, in that it looks at projected housing and employment growth. However, this scenario includes a transit factor that directs housing growth to station areas that are planning for housing growth during the RHNA period.

In Scenarios 6 and 7, housing is still weighted at 60 percent. However, the transit factors, weighted at 40 percent, focus on employment around transit stations. By including total jobs and households in 2014, Scenario 6 considers both existing conditions and expected growth. In addition, the transit factor directs housing growth to communities that are expected to have employment centers near transit stations in 2014. Scenario 7 considers only housing and job growth. Housing is directed to areas with expected housing and job growth, with greater emphasis given to communities with employment growth planned near transit.

Employment Emphasis

In Scenarios 8 and Scenario 9, employment accounts for 60 percent of the allocation. Both scenarios include total jobs in 2014 and household growth during the RHNA period. The only difference between the scenarios

is the weight given to station areas that are planning for job growth. Scenario 8 gives less weight to the transit factor—only 10 percent—while Scenario 9 has a 20 percent weight.

Transit Combo

Scenario 10 has the highest emphasis on transit compared to the other proposed scenarios. Transit accounts for 40 percent of the allocation, with 20 percent based on housing growth around transit and 20 percent based on employment growth around transit. This is the only scenario that includes both housing and employment growth as transit-related factors. Allocations to jurisdictions without transit stations would be based on housing growth. Overall, the scenario gives an 80 percent weight to housing compared to employment.

Jurisdiction Share of Growth

In response to questions from committee members, Mr. Fassinger clarified that the allocation formulas are not based on the growth trends within an individual jurisdiction, but are instead based on the growth trends for that jurisdiction relative to what is happening in the region as a whole. Determining each jurisdiction's share of the regional total ensures that the total regional housing need is fully allocated.

For example, in the formulas for the proposed allocation scenarios, the factors selected are given a percentage weight, which is then multiplied by a jurisdiction's share of the regional total for each factor. For example, in Scenario 1, a jurisdiction's share of the total number of households in the region in 2014 is multiplied by a 50 percent weight. The jurisdiction's share of the total number of jobs in the region in 2014 is also multiplied by 50 percent.

Mr. Fassinger used a hypothetical example to demonstrate the process for determining a jurisdiction's share of the total jobs in the region. In the example, the region is expected to add 40,000 jobs during the RHNA period. If the City of Alameda is expected to add 1,000 jobs during the same time period, then its share of the growth is $1/40$, or 2.5 percent. If Concord is expected to add 1,500 jobs, then its share is $1.5/40$, or 3.75 percent. The same type of calculation would then be completed for the rest of the jurisdictions in the region.

HMC Discussion of Proposed Scenarios

Several committee members expressed concern that, under some of the proposed scenarios, allocations to the region's three largest cities—San Jose, San Francisco, and Oakland—were too high. Although representatives from these cities acknowledged that they expected larger shares than other jurisdictions, they noted that the proposed allocations give them a much larger share of regional growth than what has occurred in reality over the past several decades. Several people mentioned the potential negative impact on the region as a whole if fewer housing units were built because these cities were assigned unrealistic housing targets and other jurisdictions were given lower allocations. There was also a concern that these large allocations would result in too many affordable housing units allocated to jurisdictions that already have a significant share of the region's total.

Other HMC members countered that one purpose of the RHNA process and methodology is to set policy, and not simply to reflect the existing patterns of growth and market forces. This is why the total regional number defined by HCD is based on housing need, not on what the market can produce. Several people pointed out that directing growth to cities is one of the primary components of the Bay Area's regional goals for growth. If the allocations to the three largest cities are reduced, then outlying and unincorporated areas will have to plan for a larger share, which would encourage growth in these areas. In addition, several committee members felt strongly that the jurisdictions that had the largest proportions of the region's employment were not doing enough to meet the housing need created by those jobs.

At this stage in the discussion, committee members decided to reduce the number of scenarios. Based on the vote totals shown below, the HMC decided to eliminate Scenarios 1, 3, 4, 5, and 6.

Votes to Eliminate Scenarios

Scenario	Number of Votes
#10	11
#9	5
#8	9
#7	9
#6	16
#5	12
#4	14
#3	15
#2	9
#1	19

The remaining scenarios all include household growth, but paired with different employment factors. As a result, the HMC decided to vote on what type of employment factor to use in the allocation formula.

In selecting an employment factor, HMC members expressed an interest in addressing existing jobs-housing imbalances without penalizing housing-rich areas that add jobs to improve their jobs/housing balance. Others wanted to ensure that areas that have a lot of jobs, or are planning for additional employment growth, provide housing along with the jobs. To address these concerns, as shown below, the committee decided to use a combination of jobs factors—existing jobs in 2007 and job growth from 2007-2014—and to weight them equally.

Vote on Employment Factors

Factor	Number of Votes
Jobs 2014	4
Job growth	2
Combination (Existing jobs and job growth)	16

There was a question from some committee members about how employment is forecast in *Projections*. Mr. Fassinger responded that the estimates are based on local plans for different types of job-supporting activities. The numbers are not counted directly, but are instead indirectly deduced based on Census 2000 data and the forecasting model.

The HMC then turned its attention to the question of whether or not to include a separate transit factor in the methodology. Several committee members felt that the policy-based Projections already direct growth to areas with transit, so an additional factor in the allocation methodology is not necessary. However, most HMC members agreed that transit should be included as a factor in the methodology.

The committee then discussed whether the transit factor should be related to the households or jobs that were planned for the area around the transit station. The committee generally agreed that housing growth should be a factor. Several members also advocated for employment growth around transit as a factor, to ensure that jurisdictions plan for housing along with employment growth. Some people expressed concern that some transit station areas are primarily job centers that do not have space in which to add housing. In the end, the committee decided that the transit factor should provide a balance by allocating units based on both expected household and employment growth near transit.

Another major issue was whether to include planned transit stations along with existing stations. Several committee members proposed that planning must be done in advance to promote transit-supporting development around stations, before there is significant development in those areas. This type of planning for future stations is consistent with regional goals for growth and with Metropolitan Transportation Commission (MTC) policies. In addition, including only the existing transit stations would give higher allocations to those jurisdictions that have taken the initiative to plan for transit-oriented development (TOD).

However, several committee members countered that planned transit stations should not be included in the methodology because, given the difficulty in funding transit extensions, there is the potential that planned routes and stations will not be built. In particular, eBART was mentioned as an example where funding issues put the project's future in doubt, and which should thus not be included in the methodology. This was based on a concern that planning for higher densities around stations that do not materialize would only exacerbate traffic congestion.

In the end, 15 out of the 24 HMC members voted to include planned transit in the methodology. Specifically, the HMC proposed that planned transit projects in the Regional Transportation Plan (RTP) should be used. The specific projects mentioned include: SMART, eBART, tBART, Capitol Corridor, Dumbarton Rail, VTA extensions, Transbay Terminal, and BART to San Jose.

The HMC's Proposed Allocation Methodology

As a result of these discussions, the HMC proposed an allocation methodology that included the following factors:

- Household growth
- Jobs in 2007
- Job growth from 2007-2014
- Planned employment growth near transit stations
- Planned housing growth near transit stations

Once the individual factors were selected, the HMC discussed the weights for each factor. As a first step, the committee agreed that the total weight for households, which includes the household growth factor and the factor for planned households near transit, should not be greater than 50 percent. In addition, there was general agreement that the two employment factors—jobs in 2007 and job growth—should be weighted equally. There was also support for having the two transit-related factors weighted equally. This resulted in the following allocation formula:

- Household growth (40%)
- Jobs in 2007 (20%)
- Job growth from 2007-2014 (20%)
- Planned employment growth near transit stations (10%)
- Planned housing growth near transit stations (10%)

A member of the public, Kathleen Livermore, a planner from the City of San Leandro, stated to the HMC that the San Leandro RHNA numbers increase 200 percent, and others in Alameda County increase more than 100 percent, and that this represents too much growth for these areas.

3. Discussion of Other RHNA Methodology Issues

Kenneth Moy, ABAG Legal Counsel, led the HMC in a discussion of some of the additional issues that are addressed as part of the proposed allocation methodology. These include: subregions, rules on revisions and appeals, and the factor related to the impact of colleges and universities on housing need.

Subregions

Mr. Moy reminded HMC members that a subregion has formed in San Mateo County. As a result, the jurisdictions in the county will work together to perform their own RHNA allocation. However, since ABAG is ultimately responsible for allocating the total regional need, it needs to establish rules for how to perform an allocation to the members of the subregion if the subregion is not able to successfully complete the allocation on its own.

Mr. Moy briefly explained the provisions of the rules that staff proposed for dealing with the subregion:

- If the subregion has adopted a default allocation, ABAG will allocate using the default allocation.
- If the subregion fails before ABAG has made any allocation, the subregion is folded back into the regional total, and units are allocated using ABAG's methodology
- If the subregion fails after ABAG has made its initial allocation, ABAG allocates the subregional share among only the members of the subregion, using its RHNA methodology to do so.

Some HMC members proposed the possibility of penalizing subregion members if their efforts fail. However, most people felt that this would not be practical. After some discussion, there was consensus for the staff recommendation outlined above.

Revisions and Appeals

Mr. Moy highlighted two of the primary reasons for revisions and appeals: boundary issues related to spheres of influence (SOI) and voluntary transfer agreements.

Boundary Issues

For dealing with boundary issues, the recommendation made by ABAG staff is that the entire housing need generated by SOIs should be allocated to either the city or the county, and should not be split between the two jurisdictions. Initial allocations would be made based on whichever jurisdiction has responsibility for land use planning in the SOI. This results in different rules for different counties. The need generated by the SOI would be allocated to cities in the counties of Marin, Napa, Santa Clara, Solano and Sonoma, and to the county in the counties of Alameda and Contra Costa.

The proposed methodology would include a rule that if a local jurisdiction requests a revision that reallocates units associated with SOI, the request will be decided in a manner that:

- (a) is consistent with any pre-existing written agreement between the city and county that allocates such units, or
- (b) in the absence of a written agreement, allocates the units to the jurisdiction that has permitting authority over future development in the SOI.

In response to this proposed methodology, HMC members suggested that Marin County should be treated the same way as Alameda and Contra Costa Counties. As a result, the allocation of units for the SOI would go to the county. However, it was noted that the situation in Marin might change significantly, since the County Supervisors are currently discussing possible boundary changes.

Voluntary Transfers

Mr. Moy outlined the proposed guidelines for accepting a request for the transfer of housing units between jurisdictions. The purpose of these transfers is to allow for changes that reflect local conditions and that will lead to an increase in housing production and housing choice. The proposed rules for the transfers are:

- Transfer requests must have at least two willing partners and the total number of units within the group requesting the transfer cannot be reduced.
- All members of the transfer group must retain some allocation of very low and low income units.
- The proposed transfer must include a well defined and specific package of incentives and/or resources that will enable the jurisdiction(s) receiving an increased allocation to provide more housing choices than would otherwise occur absent the transfer and the accompanying incentives or resources.
- If the transfer results in a greater concentration of very low or low income units in the receiving jurisdiction, the effect must be offset by (a) the urgent need for more housing choices in those income categories, or (b) the fact that the proposed project is mixed income, or (c) the proposed project is “transitional” housing for very low or low income households being relocated for rehabilitation of existing very low or low income units, or (d) the additional units avoid displacement or “gentrification” of existing communities.
- For the transfer of very low and low income units, there are restrictions that ensure the long-term affordability of the transferred units.
- Transfers must comply with all other statutory constraints and further the RHNA objectives.

The HMC was generally supportive of the guidelines outlined above. However, they felt that the receiving jurisdiction would not be able to determine whether the transfer meets the objectives stated in the fourth bullet about the types of units that will be created as a result of the transfer. It would also be a challenge to monitor whether this criterion is met. As a result, committee members recommended a requirement that jurisdictions involved in the transfer issue findings that the transfer is consistent with state statutes.

The committee also recommended addition of the rule that transfers must be proportional to the income distribution. This would ensure that jurisdictions cannot transfer away only affordable units.

Housing Need Generated by a University or College

Shortly before completion of the proposed allocation methodology, another issue was added to the list of factors that must be addressed in the methodology. This factor is “The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.”

After exploring the issue, ABAG staff has determined that the addition of this factor has no measurable impact on the RHNA allocation, and a specific factor should not be included in the methodology. However, to comply with statutory requirements, staff proposes to survey local jurisdictions for data on this factor during the 60-day review period for the draft methodology and to address survey results and comments in making recommendations to the ABAG Executive Board on the final methodology in January 2007.

The HMC expressed support for this staff recommendation.

Next Steps:

- In presenting the draft methodology to ABAG's Executive Board, the HMC requested that staff provide:
 - Additional information that explains how the statutory factors are included in *Projections*
 - Sample allocations for a scenario that has both existing and planned transit and one that has only existing transit
- HMC members expressed a desire to continue meeting after release of the draft methodology. They requested that staff propose meeting dates for the beginning of 2007.
- The committee also requested more information about the future role of the HMC.